

## Medicare Prescription Drug Program, Medicare Part D

Under the standard prescription drug benefit, most beneficiaries in 2006:

- Pay an average monthly premium of \$34
- Pay the first \$250 in drug costs (deductible)
- Pay 25% of total drug costs between \$250 and \$2,250
- Pay 100% of the costs between \$2,250 and \$5,100 in total drug costs (this \$2,850 gap is known as the “*doughnut hole*”), equivalent to \$3,600 out of pocket.
- Pay the greater of \$2 for generics, \$5 for brand drugs, or 5% coinsurance after reaching the \$3,600 out-of-pocket limit

The deductible, benefit limits, and catastrophic thresholds are indexed to rise with the growth in per capita Part D spending.

### “Extra Help” To Offset Cost of Prescription Drug Benefit for Certain Beneficiaries (Low Income Subsidy)

Group 1: Full benefit “Dual Eligibles” with income  $\leq$ 100% Federal Poverty Level (FPL) (\$9,800/year); no resource limits

Group 2: Persons with income  $\leq$ 135% FPL (\$13,230/year) and limited resources (\$6,000/individual; \$9,000/couple)

Group 3: Persons with income  $\leq$ 150% FPL (\$14,700/year) and limited resources (\$10,000/individual; \$20,000/couple)

Cost Sharing Requirements	Group 1	Group 2	Group 3
\$34/Month Premium	\$0	\$0	Sliding scale based on income
\$250/year Deductible	\$0	\$0	\$50
Coinsurance up to \$3,600 (donut hole)	\$1/\$3 co-pay	\$2/\$5 co-pay	15% coinsurance
5% or \$2/\$5 co-pay after \$3,600 out-of-pocket limit	\$0	\$0	\$2/\$5 co-pay